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2006

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## Słowo wstępne

Oddajemy do rąk Czytelników kolejny, czwarty numer Zeszytów Naukowych Wyższej Szkoły Ekonomicznej w Bochni. Podobnie jak poprzednie, jest to zeszyt wielotematyczny, odzwierciedlający aktualne obszary zainteresowania oraz przedstawiający dokonania naukowe pracowników i współpracowników naszej Uczelni.

Otwiera ten zeszyt ciekawy tekst filologiczny poświęcony roli metafor w języku ekonomicznym, a kończy artykuł zawierający propozycję motywacyjnego systemu wynagrodzeń w przedsiębiorstwach państwowych i jednostkach budżetowych. W środku zaś 12 dalszych tekstów, a wszystkie ułożone w porządku alfabetycznym nazwisk ich autorów. Każdy z tych tekstów uzyskał pozytywną opinię recenzenta.

Mam nadzieję, że Czytelnicy znajdą w tym zeszycie wiele materiału do przemyśleń, a może i inspirację do podjęcia dyskusji z autorami.

Zycze przyjemnej lektury

dr hab. Ryszard Szewczyk prof. WSE

*Agnieszka Herdan*

## **The XBLR a new language for financial reporting**

### **1. Introduction**

The collapse of Enron, the shattering of Andersen, the scandals with corporate misdeeds like Worldcom, Xerox or Parmalat have shaken public trust. Once again financial reporting has been brought to the world's attention<sup>1</sup>.

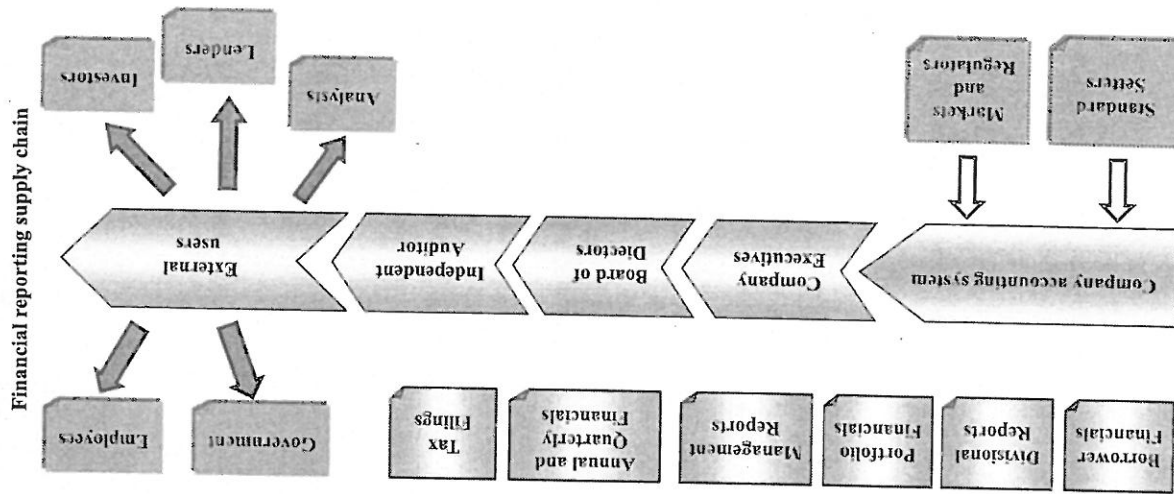
Many accounting bodies have expressed their concerns about the consequences of the existing system failing the users of the financial information it produced<sup>2</sup>. The nature of Corporate Reporting has long been a topic of debate all over the World. Globalization and the growth of multi-national enterprises has increased the importance of not only the regulation concerning General Accepted Accounting Practice (GAAP), but also the way of making the up-to-date financial information available to all interested parties.

Through the development of the Internet the information moves further, faster, and can be accessed by more and more people. With this new technology it becomes increasingly obvious that paper has few, if any, advantages over electronic information formats<sup>3</sup>. For most people digital communication is a faster, cheaper, and more efficient way of transferring the information to the world wide audience. This new tool is especially useful for people looking for business reporting data and for time-sensitive corporate disclosures.

### **2. Financial information and Internet technology**

„Corporate Reporting is the process of communicating information, both financial and non-financial, about the resources and performance of the reporting entity (ASSC 1975)”<sup>4</sup>. The information is collected and delivered via The Corporate Reporting Supply Chain. The Corporate Reporting Supply Chain (see Figure 1) includes all the groups that participate in the production and consumption of the financial information. The effectiveness depends on how well all of the elements work together<sup>5</sup>.

Figure 1



Source: own study

The Corporate Reporting Supply Chain begins with company executives who are responsible for producing information for both internal and external reporting purposes. They provide the information at all three tiers:

1. *first tier* - approval of the board of directors,
2. *second tier* - audit opinion on these financial statement provided by an independent audit firm,
3. *third tier* - wide variety of external users - these include:
  - investors and other stakeholders, who supply the capital and use information and analysis to make their investment decisions,
  - lenders - to evaluate the security of the loan,
  - third - party analysts, such as the research analysts in investment banks, who provide analysis and stock recommendations,
  - employees - interested in the financial wellbeing of the organization and monitoring job security,
  - government - ensuring the compliance with company law and tax collection.

All of the supply chain participants are interested in receiving reliable and updated financial information.

Traditional reporting practices lack a standardized mechanism for conveying management's actions to create value. In many cases the information included in current reports often provides too little, too late to be useful to investors. Looking for sufficient up to date information, investors turn to second-hand sources and conduct their own investigations make efficient investment decisions.

The Regulatory focus on implementing more and more detailed disclosure requirements to protect the investors. Various regulatory agencies around the world make moves toward requiring increased frequency and greater substance in corporate reports.

While investors and regulators push for more information at more frequent intervals, the fact remains that the corporate reporting under existing requirements is already onerous. Although many companies are turning to the Internet as the quicker and more efficient way to communicate, there are still a lot of companies using paper documents as well as electronic versions of those paper documents to satisfy corporate reporting requirements. But even the information is gathered or sent electronically, recipients rarely find that it's immediately usable.

Preparing financial reports quite often involves generating different reports that use the same or overlapping information. For paper-based reporting, this means that the same data is manually entered over and over into various reports, which is not only labor-intensive, but leaves a wide margin for error.<sup>6</sup> "Clearly, if there was a way to deposit data and other information in one place such that it could be electronically accessed repeatedly for different purposes, part of the considerable time, money, and human resource outlay needed to create these re-



ports could be redeployed to areas that are more productive for the enterprise".<sup>7</sup> There is a great need for easy to use system, which will allow to overcome present barriers of information usability not only within a single enterprise, but also among members of a corporate reporting supply chain, and between corporations and their stakeholders.

The new advances technology have revolutionized the way information is exchanged and the way business is conducted. Commercial usage of the Internet has grown at a tremendous pace over the last years from almost nothing to the point nearly all companies have some sort of connection or 'presence' on the network.

The sophistication of users of corporate information has also developed significantly. Nowadays for most companies the task to fulfil the corporate reporting requirements leads to a great number of complex issues concerning problems such as what to report, when information should be reported, how to report, who is responsible for the reported information and so on.

The Internet is a global network of networks of computers that share a common transmission language to enable the sharing of data and applications on a wide scale. Commercial usage of this network is growing very rapidly and has a great potential for corporate reporting<sup>8</sup>:

1. it offers a low cost solution to access of corporate data,
2. it offers instant access to data at convenient times,
3. offers dynamic updating potential,
4. access to greater volumes of data than previously possible,
5. flexibility in user models of data provided.

"While regulators and the markets deal with the 'what,' answers to the 'how' are quicker in coming".<sup>9</sup> Although Internet allows information to move quickly and easily all over the world and makes information accessible at any time in any place it does not provide a consistent way for users to extract and analyse data. The problem with communicating accurate and unambiguous financial information effectively across the Internet is a high priority issue. Incompatible systems and software are not allowing cross-platform communication and data sharing, and limit the usefulness and transparency of the reported information.

Since the late 1960's a lot of research has been conducted on the possible role of computers in the reporting cycle. The major concern and limitation, which has been stressed by many authors is the lack of an effective distribution mechanism for the system output.<sup>10</sup> At the moment financial data is passed around in a variety of non-interchangeable formats - HTML, Microsoft Excel documents, text files, and Adobe Acrobat files. While useful for editing, these formats offer no advantage over paper photocopies when it comes to sharing data between applications and users on different computing platforms and expectations.<sup>11</sup> The new solution for financial reporting could be XBRL - Extensible Business Reporting Language.

### 3. XBRL - the new digital language

The Extensible Business Reporting Language (XBRL) is a combination of technology and reporting terms. It is named as a digital language for business reporting.<sup>12</sup> It expresses business-reporting content in XML so that it can be displayed directly to a consumer and/or read by other software for further processing.<sup>13</sup>

XBRL is currently under development of XBRL International Consortium. It is a collaborative consortium of currently approximately 220 organizations.<sup>14</sup> It represents virtually all components of the business reporting supply chain: from producer to users of financial information. It is supported worldwide by most major accounting firms, trade organizations, software vendors, financial institutions, investors and governments.<sup>15</sup>

The main purpose of developing XBRL is to give greater flexibility in analysis and interpretation of financial information. "It is a standards-based method with which users can prepare, publish, exchange and analyse financial statements and the information they contain".<sup>16</sup>

The XBRL is an open specification that uses XML-based data tags to describe financial statements. Instead of treating financial information as a block of text - as in a standard Internet page or a printed document - it provides an identifying tag for each individual item of data.<sup>17</sup> For example, when a piece of data is tagged as "revenue," then XBRL-enabled applications know that it adheres to a strict definition of revenue and can use it accordingly. But also when a particular sum of money is specified within a report, XBRL tags may identify that data as "cash" or "accounts receivable" and it can also indicate timeframes for particular pieces of information, like year-to-date sales.<sup>18</sup>

The XBRL "tags" data with standardized descriptions enable other applications to understand the meaning and context of specific information within financial documents. The result is that data is entered once and then understood consistently and accurately thereafter. There is no need to re-key information or make guesses as to what a specific number might represent.

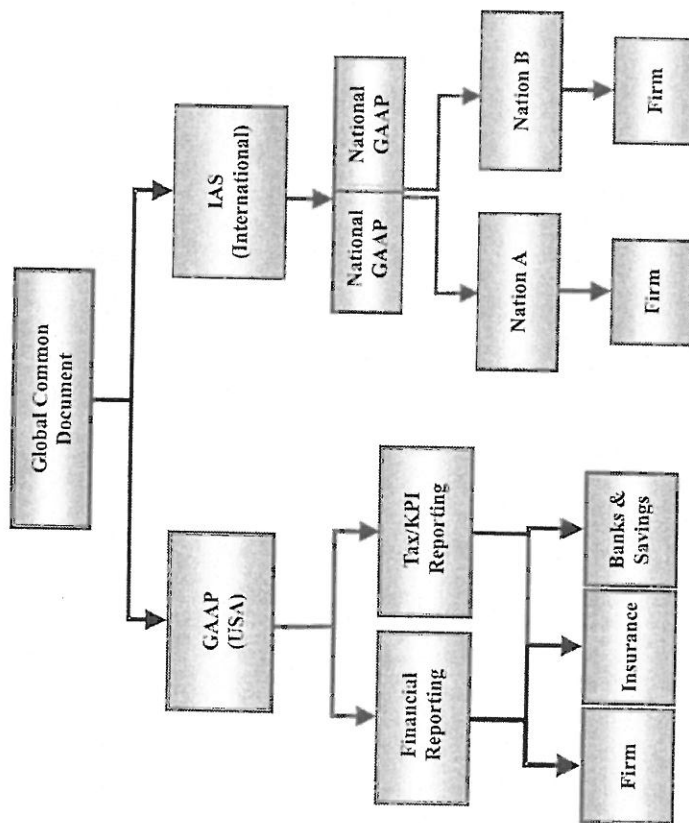
It is significant not to identify as a new accounting standard. It is merely a standard for formatting complex, structured business data like statements and general ledgers and what is important it does not require any changes to existing accounting standards. It enhances existing standards by providing extended consistency.

This new solution permits the automatic exchange and reliable extraction of financial information across all software formats and technologies, including the Internet. It is the technology platform for transporting the information contained within business reports.

The most important at the moment is to work on XBRL Taxonomies.

The Taxonomies are the data definitions or reporting terms used within business reports and are developed to address specific requirements. For instance US GAAP differs from IFRS (the former IAS) and accordingly there are 2 separate taxonomies. Each of them however will be based on the core XBRL specification so that each taxonomy can be recognised and processed using the same software tools (see Figure 2).

Figure 2  
XBRL Global Taxonomy Structure



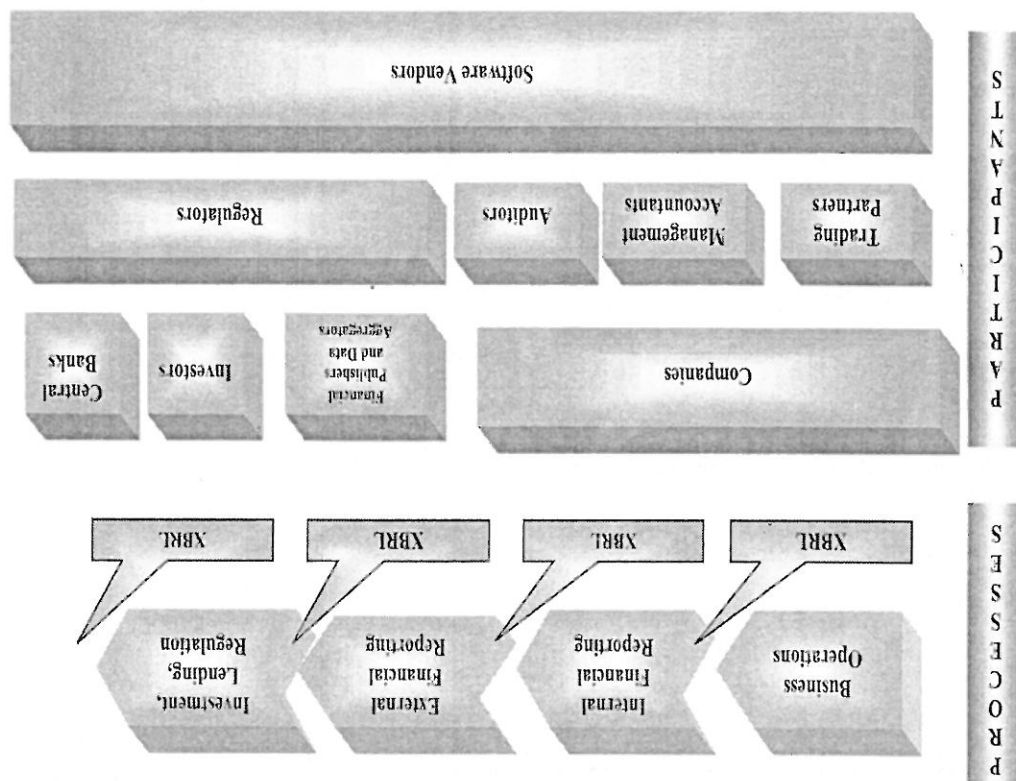
Source: XBRL Understanding the XML Standard for Business Reporting and Finance, <http://whitepapers.zdnet.co.uk>

XBRL can be applied to a very wide range of business and financial data and can be used to handle (see Figure 3) :

- company internal and external financial reporting,
- business reporting to all types of regulators, including tax and financial authorities, central banks and governments,
- filing of loan reports and applications,

- credit risk assessments,
- exchange of information between government departments or between other institutions, such as central banks.

Figure 3  
Role of XBRL for the participants of financial reporting supply chain



Source: XBRL Overview, <http://www.disa.org>

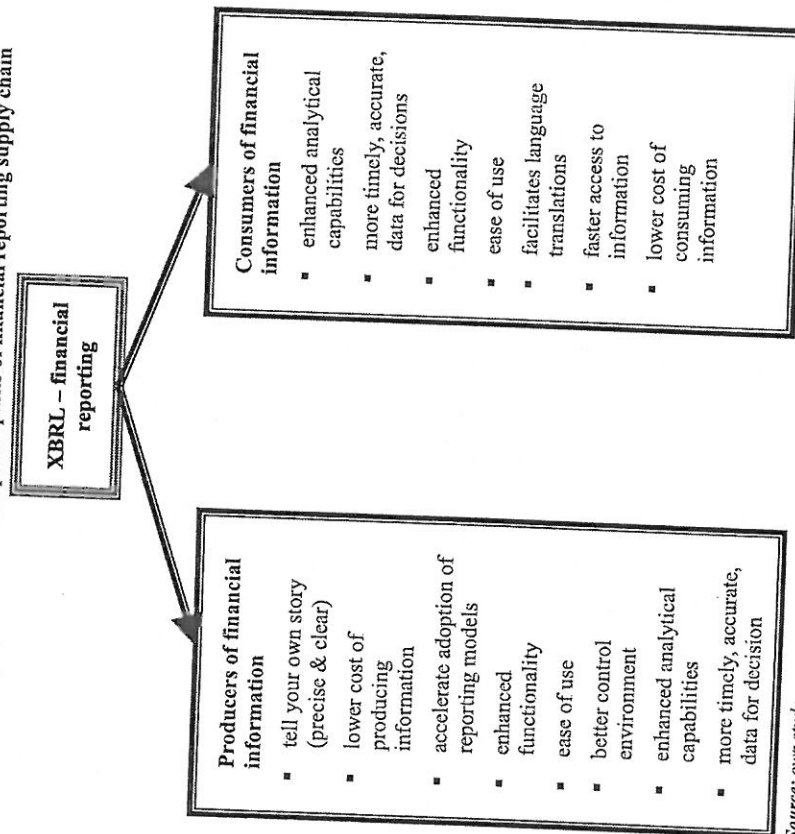
#### 4. The advantage of XBRL for financial reporting

XBRL improves investor access and dramatically increase the speed at which users can obtain information. Stakeholders can make a request from within their analytical software and in seconds the data they want will be incorporated into their analysis. For example, immediately uncovering a company's revenue recognition policy buried in the footnotes of a 100-page annual report.<sup>20</sup>

XBRL offers major benefits to all participants of financial reporting supply chain: public and private companies, the accounting profession, governments, regulators, analysts, the investment community, capital markets and lenders, as well as key third parties such as software developers and data collectors (see Figure 4).

Advantages of XBRL for the participants of financial reporting supply chain

Figure 4



The benefits of using XBRL include all who collect business data, including governments, regulators, economic agencies, stock exchanges, financial information companies and the like, and those who produce or use it, including accountants, auditors, company managers, financial analysts, investors and creditors.

The benefits are seen in automation, cost saving, faster, more reliable and more accurate handling of data, improved analysis and in better quality of information and decision-making. The software will be able to analyse, validate and manipulate data which has been entered in XBRL language. And searching for particular information which might in the past have taken hours can be completed with XBRL in seconds.

Because XBRL is extensible and flexible, it can be adapted to a wide variety of different requirements. It allows by automate the processes of data collection. For example, data from different company divisions with different accounting systems can be assembled quickly, cheaply and efficiently if the sources of information have been upgraded to using XBRL.<sup>21</sup> Once data is gathered in XBRL, different types of reports using varying subsets of the data can be produced with minimum effort. A company finance division, for example, could quickly and reliably generate internal management reports, financial statements for publication, tax and other regulatory filings, as well as credit reports for lenders.

The new computer language increases the speed with which information can be obtained and analysed, and also the quality of the information itself. It creates more confidence in data through limiting the risk of erroneous data entry since all reports are automatically generated from one single information source. It also accelerates financial decision-making by institutions such as banks and rating services and improves the process of publishing reports.

XBRL is ideal for use in seamlessly integrated Web services. Web services are Web-based applications or software components interact with other Web applications. As Web services are based on the XML open standard, they can use XBRL easily. They essentially "talk" to each other, sharing data and calling routines as necessary.<sup>22</sup> This means that Web services are an ideal architectural approach to automating business processes across internal or external business boundaries – by using Internet technologies. XBRL provides efficient, validated transmission of information between Web services. Error detection, which is built into the XBRL specification, occurs at the source of the data, rather than at the receiving party. The data's accuracy and origin is traceable to one absolute point within the information chain.

The use of XBRL does not require a company to disclose any additional information beyond that which they normally disclose under existing accounting standards. It simply improves and speeds up access to financial information and reduces the need to enter financial information more than once. This reduces the risk of data entry error and eliminates the need to manually key information for



various formats. This results in lowering the cost of preparing and distributing financial statements while improving investor or analyst access to information. Such exchange of information can provide major cost cutting incentives for faster delivery and exchange of financial information. It will also increase the consumers access to information in their own language regardless of what language the report is published in.

Thanks to the XBRL, companies will be able to:

- reduce cost and time for preparing data in one form that automatically will generate many outputs – it will allow companies avoiding re-keying of data for many different purposes,
- improve accuracy and reliability of financial data,
- transfer from focusing on gathering, compiling and preparing data to analysis, forecasting and decision making,
- achieve quicker and more efficient decisions,
- using internet in a more effective way to communicate with investors,
- improve investor relations through provision of more transparent and user-friendly information,
- increase the frequency in delivering data, which will lead to more accurate, timely and reliable reporting.

Many initiatives had taken place around the World to monitor the possibilities of efficient implementation of the XBRL. Some pilot implementation had taken place around the World<sup>23</sup>:

- the Irish Central Statistics Office has successfully piloted the use of XBRL in its industry surveys,
- the Spanish Stock Exchange has begun to use XBRL for receiving and distributing public financial reports from listed companies,
- the American Federal Deposit Insurance Corporation is moving ahead its project for quarterly bank reporting using XBRL,
- British Government has announced a plan to enable filing of Corporation Tax using XBRL in 2006.

## 5. Conclusion

XBRL offers many advantages over traditional reporting methods, effectively freeing information from the constraints of time and place. For the first time, preparers will be able to channel the information in their financial statements, without distortion, directly into the myriad of analytic tools of their investors and other stakeholders, all in a single format.

It is easy and cost effective even for small companies that are less technologically sophisticated. Most major vendors can or will shortly be able to accept or produce XBRL format inputs and outputs.

A number of regulators are working on projects to use XBRL and these will be live over the next two or three years. Taxonomies already exist and many more are being worked on. Internet technologies are widespread and many companies have XML projects. The basic XBRL building blocks will shortly be in place to support XBRL based reporting.

XBRL is set to become the standard way of recording, storing and transmitting business financial information. It is capable of use throughout the world, whatever the language of the country concerned, for a wide variety of business purposes. It will deliver major cost savings and gains in efficiency, improving processes in companies, governments and other organisations.

Among the most prominent benefits of XBRL are:

- lower preparation costs and reduced preparation time,
- simplified international access,
- broader information availability,
- enhanced analytical capabilities,
- more informed investment decisions,
- more reliable information when associated with a digital signature.

Many authors predict that XBRL will be widely adopted and it will revolutionise the corporate reporting supply chain

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13. M. Willis, B. Tesnière, A. Jones, *Corporate Communications....., op. cit.*
14. *Ibidem*
15. The main commercial members include: Deutsche Bank, FDIC, Fujitsu, Hitachi, Hyperion, General Electric, IBM, Microsoft, Morgan Stanley, PeopleSoft, PricewaterhouseCoopers, Reuters, SAP and many others.
16. [www.xbrl.org](http://www.xbrl.org)
17. *Ibidem*
18. The integrity of the information is ensured by standards that have already been widely accepted. In addition, XBRL provides broader contextual information about specific data content within financial documents.
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20. [www.xbrl.org](http://www.xbrl.org)
21. [www.xbrl.org](http://www.xbrl.org)
22. *Ibidem*
23. [www.xbrl.org](http://www.xbrl.org)